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SUBJECT: Uzbekistan: Suspending GSP Counterproductive

REF: TASHKENT 1816; STATE 42137; TASHKENT 1599; STATE 84124
TASHKENT 1123

CLASSIFIED BY: Nicholas Berliner, Pol-Econ Chief; REASON: 1.4(B), (D)

¶1. (C) Post understands that the inter-agency is preparing to discuss the issue of suspension of Uzbekistan's GSP benefits based on petitions related to child labor and intellectual property rights. A decision to suspend or revoke GSP for Uzbekistan would be counterproductive - it would do little or nothing to remedy the problems cited in the petitions, but would almost certainly be viewed by the Government of Uzbekistan (GOU) as a "hostile act" at a time when we are working to put our relationship on a more stable and sustainable footing through the process of Annual Bilateral Consultations (ABC). Any effort to sanction Uzbekistan on this or other issues could directly undermine our interests, without achieving the desired change of behavior or policy on the part of the GOU. Unfortunately, the fact is that we have few levers with which to coerce change and the Uzbeks respond badly to outside pressure. Recognizing these limitations, we should keep our focus on patient, but principled engagement as the only viable approach to effecting long term change in Uzbekistan and, at the same time, enabling us to defend the full range of our interests in this country.

¶2. (C) The issues of child labor and IPR that are the focus of the GSP petitions are only two of a host of areas where Uzbekistan falls far short of U.S. and international standards. However, we need to be careful not to let these questions define our interests. Child labor, in particular, is a long-standing, structural and cultural problem that does not have immediate solutions. Although the GOU rejected inviting the ILO to conduct a survey of this year's cotton harvest, such a survey would not have moved the issue closer to a solution. In fact, a survey would only have reconfirmed what everyone, including the GOU, already knows: children participate in the cotton harvest in Uzbekistan. Resolution of the child labor problem will require reform of the agricultural sector and investment. There are already some signs that the GOU is headed in this direction, such as legislative changes to tighten the prohibition on child labor and reports that the GOU is once again looking at mechanization of the cotton sector. However, these processes will take time and must be Uzbek-led.

¶3. (SBU) On IPR issues, recent conversations with the GOU have taken on a much more constructive and cooperative tone. The GOU is prepared to move forward on the issues from the International Intellectual Property Alliance's 1999 petition. Specifically, Uzbekistan is preparing to remove its reservations to Article 18 of the Berne convention and IPR-related changes to the criminal and administrative codices are expected to be addressed by the parliament (Ref A).

¶4. (C) In economic terms, GSP is not terribly significant to the U.S. or to Uzbekistan. GSP-eligible bilateral trade in 2008 was 2.8 million dollars (Ref B). The "benefit" of GSP to Uzbekistan (or its cost to the USG in forgone tariff revenues) is therefore only a fraction of that amount, several hundred thousand dollars. Suspension of GSP would not have a significant impact on the GOU or on its exports. It clearly would not have enough of an impact to cause the GOU to eliminate child labor (assuming that this can be accomplished by fiat, which we believe is not the case) and IPR already appears to be headed in a more positive direction. The impact, unfortunately, is more likely to be negative, and detrimental to U.S. interests, rather than Uzbekistan's.

¶5. (C) GSP is symbolic for Uzbekistan, but in Central Asia, symbolism is important. We have pursued a policy of re-engagement with Uzbekistan that is about to take a significant step forward with visit of Foreign Minister Norov to Washington on December 17 and 18 to initiate the ABC process. We came to this process as much through the realization that policies of sanctions and isolation simply do not achieve results, as we have through the need to support very real interests, such as the ability to move supplies to our forces in Afghanistan. Engagement is about building trust with the GOU and we have already seen several examples where this has begun to show results, such as the release of jailed opposition

figure Sanjar Umarov (Ref C), the reaccreditation of the Drug Enforcement Administration and further cooperation on Afghanistan. We have reached a point where the Uzbeks are looking for something in return, a "deliverable" that Norov can bring back from Washington that demonstrates the benefit to Uzbekistan of improved relations with the U.S. If Norov returns to Tashkent with nothing more than the news that the U.S. is sanctioning Uzbekistan for child labor by lifting GSP, the reaction on the part of President Karimov and the GOU is likely to be very negative.

¶6. (C) Unfortunately, this is a case where doing the right thing in terms of process or principle (we do not contest the point that, in terms of the GSP process itself, this would be a necessary step) would result in a set-back for U.S. policy and security interests in Uzbekistan. GSP is simply not an effective or appropriate policy tool to use on this issue and in these circumstances. We therefore urge the interagency to retain GSP eligibility for Uzbekistan so that the full range of these issues, including child labor and IPR, can be addressed in the course of our on-going ABC process.
BUTCHER